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Japan

Solid Wood Products

Solid Wood Annual Report

2007

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Report Highlights:
The overall value of forest product exports from the United States to Japan in 2006 was $886 million, down 1.1% from the previous year as a result of high log and lumber prices due to good U.S. housing starts.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Tokyo [JA1]
[JA]

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I. Executive Summary

Housing starts in 2006 increased for the fourth year in a row to 1.29 million, up 4.4% from the previous year. Construction of houses for rent and condominiums drove housing starts as was the case in the previous year. In addition, construction of privately-owned homes increased after an interval of three years. Wooden housing starts were 559 thousand, up 3.0% from the previous year and showed an increase for the fourth consecutive year.

Housing starts in the first half of 2007 were 604,547 down 2.8% from the previous year.

The overall value of forest product exports from the United States to Japan in 2006 was $886 million, down 1.1% from the previous year. In the first half of 2007, this was valued at $457 million, up 3.7% from the previous year (Source: WTA-Japanese Custom Data).

II. Strategic Indicator tables

STRATEGIC INDICATOR TABLE 1: CONSTRUCTION MARKET			
Country: Japan Report Year: 2007	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,290,391	1,265,000	1,252,000
--Of which, wood frame	559,201	548,000	543,000
--Of which, steel, masonry, other materials	731,190	717,000	709,000
--Of total starts, residential	1,253,123	1,228,000	1,216,000
----Of residential, single family	502,885	493,000	488,000
----Of residential, multi-family	787,506	772,000	764,000
--Of total starts, commercial	37,214	36,000	36,000
Total Value of Commercial Construction Market ($US million)	117,173	115,000	114,000
Total Value of Repair and Remodeling Market ($US million)	N/A	N/A	N/A
Are tariffs on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are tariffs on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on softwood from the United States higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on plywood from the United States higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	Yes	Yes	Yes
If yes, identify the following:			
--Country	Canada, EU, Nordic Countries	Canada, EU, Nordic Countries	Canada, EU, Nordic Countries
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/	Trade shows and permanent market representatives	Trade shows and permanent market representatives	Trade shows and permanent market representatives
--Estimated annual market expansion outlay ($US million) by country	unknown	unknown	unknown
Is the acceptability of U.S. style timber frame construction (i.e., per building codes, mortgage availability, etc.) high, medium or low? 3/	High	High	High
Are consumer preferences for solid wood materials vis-à-vis non-wood materials in construction high, medium or low? 3/	High	High	High
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 3/	Medium	Medium	Medium
If price quotes for construction and structural wood products are available, identify the leading source(s)	N/A	N/A	N/A
1/ If other than equal, explain in report text. 2/ If "other", then explain in report text. 3/ If low or medium, explain in report text.			

STRATEGIC INDICATOR TABLE 2: FURNITURE & INTERIORS MARKET			
Country: Japan Report Year: 2007	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	1,290,391	1,265,000	1,252,000
Total Number of Households (1,000 households)	48,225	48,400	48,500
Furniture Production ($US million)-Wooden- (Exch. 116/$) 1)	1,470	1,450	1,430
Interiors Market Size ($US million) (Exch. 115/$) 2)	6,300	6,100	6,100
Total Furniture Imports ($US million) 3)	2,581	2,570	2,570
Total Furniture Exports ($US million) 4)	747	800	800
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Equal	Equal	Equal
Are there market developments programs for furniture or interiors market expansion funded by foreign governments?	No	No	No
If yes, identify the following:			
--Country (ies) 2/	-	-	-
--Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 3/	-	-	-
--Estimated annual market expansion outlay ($US million) by country	-	-	-
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 4/	Medium	Medium	Medium
If price quotes for furniture and interiors products are available, identify the leading source(s)	-	-	-
1/ If other than equal, explain in text. 2/ If more than one country, report each country individually. 3/ If "other", explain form of subsidy in text. 4/ If low or medium, explain in test.			

1) Covers the following "wooden" products, as classified in the Japanese Government (METI) statistics.
-Chest of drawers (wardrobes, Japanese-style cabinet of drawers, or Tansu, Cabinets of drawers), Dressers, including mirror stands, Shelves (cupboards, other shelves), Desks, Tables, Chairs (sofas, dining chairs, etc.), Beds, cabinets, other furniture, etc.

2) Includes the following "metal" furniture in addition to "wooden" furniture.
-Desks and tables, Chairs, Filing cabinets, Storage cabinets, Fire-retardant containers, Kitchen furniture (eg. Sink cabinets, range tables, cooking tables, system kitchens), Beds, Racks, Partitions, etc.

3) Covers products under the following HS (Harmonized System) tariff codes in full 9-digits / customs clearance basis.
-9401.30-010, 9401.30-020, 9401.30-030, 9401.40-010, 9401.40-020, 9401.40-090, 9401.50-010, 9401.50-020, 9401.61-010, 9401.61-020, -9401.40-090, 9401.50-010, 9401.50-020, 9401.61-010, 9401.61-020, 9401.79-090, 9401.80-011, 9401.80-012, 9401.80-091, 9401.80-099, 9401.90-010, 9401.90-020, 9401.90-090, 9403.10-000, 9403.20-000, 9403.70-000, 9403.80-210, 9403.80-290, 9403.90-010, 9403.90-020,9403.90-030, 9403.90-090

4) Covers products under the following HS (Harmonized System) tariff codes in full 9-digits / customs clearance basis.
-9401.40-000, 9401.61-000, 9401.69-000, 9403.30-000, 9403.40-000, 9403.50-000, 9403.60-000, 9401.30-000, 9401.71-000, 9401.79-000, 9403.10-100, 9403.10-900, 9403.20-100, 9403.20-900, 9401.50-000, 9401.80-000, 9403.70-000, 9403.80-000, 9401.90-000, 9403.90-000

STRATEGIC INDICATOR TABLE 3: FOREST PRODUCT TARIFFS AND TAXES (percent)						
Country: Japan Report Year: 2007	Product Description	Tariff Current Year	Tariff Following Year	Other Import Taxes or Fees 1/	Total Cost of Import	Export Tax
4401.21-22	Wood Chips	Free	Free	5.0	5.0	None
4403.10-20	Softwood Logs	Free	Free	5.0	5.0	None
4403.10.210-230	Temperate HW Logs	Free	Free	5.0	5.0	None
4403.91-92	Temperate HW Logs	Free	Free	5.0	5.0	None
4403.99.190,110,200,310,390	Temperate HW Logs	Free-3.5	Free-3.5	5.0	5.0	None
4403.10.220	Tropical HW Logs	Free	Free	5.0	5.0	None
4403.41, 49	Tropical HW Logs	Free	Free	5.0	5.0	None
4404	Split poles/Piles, etc.	Free-7.5	Free-7.5	5.0	5.0-12.5	None
4405	Wood wool, flour	2.5	2.5	5.0	7.5	None
4406	Railway sleepers	Free	Free	5.0	5.0	None
4407.10. Softwood Lumber < =160mm; Thickness						
-110; Pinus spp. Abies spp.	Picea spp; Planed	4.8	4.8	5.0	9.8	None
-121;Pinus spp.	Not planed	4.8	4.8	5.0	9.8	None
-129;	Other species	4.8	4.8	5.0	9.8	None
-210; Genus Larix	Planed or sanded	6.0	8.0	5.0	11.0	None
-290; Genus Larix	Not planed or sanded	6.0	10.0	5.0	11.0	None
-310; Other	Incense cedar	Free	Free	5.0	5.0	None
-321-399; Other	Other	Free	Free	5.0	5.0	None
4407.91-92	Temperate HW Lbr.	Free	Free	5.0	5.0	None
4407.99.100,210,290,400,500	Temperate HW Lbr.	Free	Free	5.0	5.0	None
4407.21,22,27,28; Tropical HW Lbr.	Mahogany,Virola,Sapelli,Iroko	Free	Free	5.0	5.0	None
4407.25,26,29;Trop.HW Lbr.	Meranti,Lauan,etc.	6.0	6.0	5.0	11.0	None
4407.99.310-390	Tropical HW Lbr.	6.0	6.0	5.0	11.0	None
4408.10	Softwood veneers	Free-6.0	Free-6.0	5.0	5.0-11.0	None
4408.31;Meranti	Hardwood veneers	5.0-6.0	5.0-6.0	5.0	11.0-11.0	None
4408.39;Padok, Jeltong, Teak	Hardwood veneers	Free-6.0	Free-5.6	5.0	5.0-11.6	None
4408.90;Tsuge,Tagayasan, etc.	Hardwood veneers	5.0-6.0	5.0-5.6	5.0	10.0-11.6	None
4409.10;Softwood	Drawn wd,mouldings	Free-5.0	Free-5.0	5.0	5.0-10.0	None
4409.21,29;Non-Softwood	Drawn wd,mouldings	Free-7.5	Free-5.0	5.0	5.0-10.0	None
4410.11,12,19;Particle+simlr brd	Particle board,OSB	5.0-6.0	5.0-6.0	5.0	10.0-11.0	None
4410.90; Other boards/sheets	Wood materials	6.6-7.9	6.6-7.9	5.0	11.6-12.9	None
4411.12,13,14,92,93,94; Fiberboard	Medium density fiberboard	2.6	2.6	5.0	7.6	None
4412.13 Plywood, veneered panels & similar laminated wood.						
4412.10; Bamboo	Plywood	6.0-10.0	10.0	5.0	15.0	None
4412.31; With 1 trop.ply	Plywood	6.0-10.0	6.0-10.0	5.0	11.0-15.0	None
4412.32;With 1 non-coniferous	Plywood	6.0	6.0	5.0	11.0	None
4412.39;Others	Plywood	6.0	6.0	5.0	11.0	None
4412.94,99;Other	Blockboard,Laminated lumber and etc.	6.0	6.0	5.0	11.0	None
4413.00	Densified Wood	7.0	7.0	5.0	12.0	None
4414.00	Wooden Frames	3.2	3.2	5.0	8.2	None
4415.10,20; Crates, Pallets,	Packing cases,boxes	2.8-3.9	2.8-3.9	5.0	7.8-8.9	None

4416.00; Casks,barrels,	Vats, Tubs,etc.	2.2	2.2	5.0	7.2	None
4417.00; Tools,Tool bodies	Tool Handles,Broom	2.2-2.8	2.2-2.8	5.0	7.7-7.8	None
4418; Builder's Joinery &	Carpentry of Wood	Free-5.0	Free-5.0	5.0	5.0-10.0	None
4419.00;Tableware &	Kitchenware of Wood	2.7-4.7	2.7-4.7	5.0	7.7-9.7	None
4420.10,90; Wood Marquetry &	Inlaid Wood,caskets	Free-10.0	Free-10.0	5.0	5.0-15.0	None
4421.10, 90;Other Articles of	Wood (eg.hangers)	Free-10.0	Free-3.9	5.0	5.0-8.9	None
9406.00; Prefabricated	Buildings & Parts	Free	Free	5.0	5.0	None
1/ Japanese domestic consumption tax, applicable to all goods and products sold in Japan.						

III. Forest Situation

Total revenue from Japanese forests in 2005 was 416.8 billion Yen (approx. $3.6 billion), down 4.1% from the previous year.

Revenues from timber production were 210.2 billion Yen (approx. $1.7 billion), down 4.6% from the previous year. This lower level was mainly due to a price slump in Japanese cedar and cypress.

Cultivated mushroom production revenues were 198.5 billion Yen (approx. $1.7 billion), down 2.5 % from the previous year due to a slump in prices for dried shitake mushroom and eringi mushroom.

The most recent version of the Forest Revenue Report is for 2005, and the 2006 edition will be released at the end of 2007 or early 2008.

Japanese Forests - Total Outturn Value (Unit: 100 million Yen)

Product Sector	2004	2005	% Change 1/	2005: % Share
Timber	2,205	2,102	- 4.6	50.4
Charcoal	65	61	-6.2	1.5
Cultivated Mushroom	2,036	1,985	- 2.5	47.6
Misc.	40	20	51.0	0.5
Total Revenues	4,343	4,168	-4.1	100.0

(Source: Ministry of Agriculture, Forestry & Fisheries)

IV. Production

1) Logs

Total log demand in 2006 was 29,441M m3. The demand for logs by plywood and wood chip manufacturers increased, however the demand for logs for lumber manufacturing decreased. Therefore, the overall demand for logs increased by 400M m3 (1.4%). The volume of logs supplied from Japanese forests was 166,09M m3, which represents an increase of 443M m3 (2.7%), and the volume of imported logs was 12,832M m3, down 43M m3 (0.3%) from the previous year. The overall share of domestic logs was 56.4%, up 0.7% from 2005.

Japan's log demand breakdown: Logs for wood chip manufacturing was 3,916M m3 increased 51M m3 (1.3%) from the previous year due to growth in paper and pulp production. The supply of logs for lumber production was 20,342M m3 decreased 198M m3 (1.0%) from the previous year because other countries' high demand brought down Japanese imports. The supply for plywood production was 5,183M m3, increased 547M m3 (11.8%) from the previous year. The demand breakdown was therefore 69.1% lumber, 17.6% plywood and 13.3% wood chip.

Log supply: The domestic log supply was 16,609M m3 and increased 443M m3 (2.7%) due to high Russian log prices and processing technology upgrades that utilize relatively small diameter Japanese logs for making plywood. The volume of imported logs was 12,832M m3 down 43M m3 (0.3%) from the previous year due to the high ocean freight costs and high log prices due to active demand from foreign courtiers.

Imported logs: The volume of imported tropical logs was 1,219M m3, of North American logs was 5,274M m3, of Russian logs was 5,097M m3, and of New Zealand logs was 954M m3. This represents a change from previous year of -11.7%, -1.1%, and 5.3% and -1.2% respectively.

Raw Material Log Arrivals For Total Wood Industry			
(Unit: 000 m3)	2005	2006	% Change
Total Raw Material Log Arrivals:	29,041	29,441	-1.4%
Sourced From:			
Japan's Domestic Timberlands:	16,166	16,609	2.7%
Softwood	13,695	14,017	2.4%
Temperate Hardwood	2,471	2,592	4.9%
Imported Raw Material Logs:	12,875	12,832	-0.3%
Tropical Hardwood	1,380	1,219	-11.7%
Softwood (U.S./Canada)	5,333	5,274	-1.1%
Softwood (Russia)	4,840	5,097	5.3%
Softwood (New Zealand)	966	954	-1.2%
Others	356	288	-19.1%

(Source: Ministry of Agriculture, Forestry & Fisheries)

2) Lumber

Japan's sawn lumber production in 2006 was 12,744M m3, down 3.8% from the previous year. The number of sawmills in operation as of the end of December 2006 was 8,482, down 5.9% (529 mills) from the previous year. The number of sawmill workers was 45,389, down 3,770 (7.7%) from the previous year.

The volume of logs being supplied to the lumber industry in 2006 was 20,342M m3, down 1.0% from previous year. Out of this total, 11,645M m3 (57.2%) came from Japanese forests and 5,244M m3 (25.8%) came from North America.

Raw Material Log Arrivals For Lumber Production				
(Unit: 000 m3)		2005	2006	% Change
Total Raw Material Log Arrivals:		20,540	20,342	-1.0%
Sourced From:				
Japan's Domestic Timberlands:		11,571	11,645	0.6%
	Softwood	11,352	11,316	-0.3%
	Temperate Hardwood	219	329	50.2%
Imported Raw Material Logs:		8,969	8, 697	-3.0%
	Tropical Hardwood	265	200	-24.5%
	Softwood (U.S./Canada)	5,273	5,244	-0.5%
	Softwood (Russia)	2,263	2,115	-6.5%
	Softwood (New Zealand)	835	870	4.2%
	Others	333	268	19.5%

(Source: Ministry of Agriculture, Forestry & Fisheries)

3) Plywood

Japan's plywood production in 2006 was 33,14M m3, up 3.2% from the previous year. Softwood plywood production accounted for 2,484M m3 or 75% of the total production. With softwood species (primarily Russian larch and Japanese cedar and larch) as the raw materials, softwood plywood production grew 235M m3 up 10.4% from the previous year. Tropical hardwood plywood production, on the other hand, was 830M m3, down 13.8% from 963M m3 in the previous year and accounting for the remaining 25% of plywood production.

Year-to-date all plywood production for the first half of 2007 was 1,616M m3, up 1.6% from the same period in 2006. Year-to-date softwood plywood production was 1,274M m3, up 8.6% from the same period last year, and accounted for 78.8% of the total plywood production. Softwood is now the most commonly used material for Japanese plywood for structural use. This trend will continue due to high tropical log prices and tight supplies. Tropical plywood can be used for concrete forms and also for specialty plywood such as those with a very thin overlay.

The supply of Japanese logs for plywood production was 1,126M m3, which surprisingly increased by 35.2%. Improvement of the rotary lathe in the veneer manufacturing line was designed specially to handle small logs and can improve the production and quality of veneer. The Japanese cedar log supply in 2006 again showed significant increases of 48.2% over the previous year and compensated for the lack of Russian log supply. This trend will be expected to continue in 2007 as Russian log costs increase due to high demand in China and the 20% export tax by the Russian government. Please see GAIN report JA7016 for Russian export tax policy on logs.

Raw Material Log Arrivals For Veneer & Plywood Production			
(Unit: 000 m3)	2005	2006	% Change
Total Raw Material Log Arrivals:	4,636	5,183	11.8%
Sourced From:			
Japan's Domestic Timberlands:	863	1,144	32.6%
Softwood (Domestic)	833	1,126	35.2%
Temperate Hardwood	30	18	-40.0%
Imported Raw Material Logs:	3,773	4,039	-7.1%
Tropical Hardwood	1,108	1,018	-8.1%
Softwood (U.S./Canada)	13	26	100.0%
Softwood (Russia)	2,506	2,897	15.6%
Softwood (New Zealand)	124	83	-33.1%
Others	22	15	-31.8%

(Source: Ministry of Agriculture, Forestry & Fisheries)

The number of plywood and veneer mills in operation in 2006 was 263, down 8 mills or 3.0% from the previous year. The number of mill workers employed by these mills as of the end of December 2006 totaled 11,414, down 3.9% from the previous year.

4) Glulam (Glued-laminated Wood Products)

Japanese laminated wood production volume in 2006 totaled 1,675M m3, up 11% from the previous year. The production amount was 175.6 billion yen (approx US$ 1.5 billion), breaking the 170 billon yen level for the first time. Small section glulam, mainly for posts and studs, remained the same level as the previous year and the middle section, mainly for beams, increased 33%. Most high-volume precut plants shifted to kiln dried material for a better recovery ratio due to superior dimensional stability over green material and stable supply. Currently it is believed that 70% of posts used at high-volume precut plants are glulam and this level is probably the peak. Beams face the same situation as posts, and glulam share is believed to still be around 50% so there is more room for an increased share. Innovative hybrid beams which consist of Douglas fir face lamina and Japanese cedar inner lamina developed by Chugoku Mokuzai has been developing a new market. Recently, though, pillar usage is getting popular because of its lower price than that of Douglas fir and better availability than other species such as Japanese cedar and cypress.

Laminated Wood Production (Volume: 000m3)							
Product Category		2004		2005		2006	
		Volume	% Change	Volume	% Change	Volume	% Change
Structural	Veneer Overlay	36.2	-3%	28.4	-21.5%	22.7	-20.1%
	Large section	51.5	-5%	40.7	-21.0%	30.1	-26.0%
	Middle section	581.6	11%	594.4	2.2%	790.6	33.0%
	Small section	606.8	6%	646.2	6.5%	646.2	0.0%
Sub total		1,276.1	7%	1,309.7	2.6%	1,489.6	13.7%
Non-Structural		211.5	-2%	202.2	-4.4%	185.6	-8.2%
Total Volume:		1,487.6	6%	1,511.9	1.6%	1,675.2	10.8%

(Source: Japan Laminated Wood Industry Association)

5) Fiberboard Products

Particleboard production in 2006 was 1,245M m3, up 1% from the previous year. Japanese mills kept constant production during the year.

MDF (Medium Density Fiberboard) production was 437M m3 in 2006, down 4% from the previous year. Import volume decreased last year because of the fire closure of two oversea mills. Japanese mills had been producing at full capacity since the last half year to make up for deficits in import volume. Also MDF was used as an alternative to plywood because of plywood price escalation last year.

Hardboard production was 59M m3, dropped 2% from the previous year. Thin hardboard was used for waster sheets at construction sites to protect flooring and other building materials instead of high price plywood.

Insulation Board production was 400M m3, increased 1% over the previous year. The largest end use, 62%, was for tatami core and has decreased slightly, however increased demand for underlayment and waster sheets made up for the increase due to high plywood prices. Daiken Corporation has over a 70% insulation board market share and announced it would acquire Kaihatsu Board Co. to increase market share of insulation board. They are developing new insulation board products for the structural market, which is a wall sheathing with a wall ratio "3", while they keep the tatami core market share. The products can be a substitute for plywood.

Fiberboard Production by Year (Unit: 000m3)

Product Line	2005	2006	% Change
Particleboard	1,234	1,245	0.9%
Hardboard	58	59	1.7%
MDF (Medium Density)	420	437	4.0%
Insulation Board	396	400	1.0%
Total Volume:	2,108	2,141	1.6%

(Source: Ministry of Economy, Trade and Industry)

V. Wood Consumption

1) Lumber

Solid sawn lumber shipments continue their decrease, going down 12.8% in the past four years. This is because imported glulam is increasingly not only used for posts but also for beams. Moreover, thick plywood with a thickness of 24mm or 28mm called "Nedaless plywood" has become widely used for floor underlayment, making a floor joist unnecessary. This substitution reduces the amount of solid wood and labor needed, thereby reducing total construction costs. Also, the plywood enables to offer a safer work environment because carpenters can install floor underlayment before roof completion in post and beam houses so that they can stand on the floor from an early stage of construction.

Industry's Lumber Shipments by Year

Vol.\Year	2002	2003	2004	2005	2006
Volume (000 m3)	14,402	13,929	13,603	12,825	12,554
% Change (Yr./Yr)	-7.0%	-3.3%	-2.3%	-5.7%	-2.1%

(Source: Ministry of Agriculture, Forestry and Fisheries)

Year-to-date lumber shipments through June 2007 were 6,199M m3, almost the same volume as during the same period last year. The total volume of lumber shipments in 2006 was 12,554M m3, down 271M m3 (2.1%) from the previous year. The volume of all types of end uses decreased but the volume of kiln-dried lumber was 2,291M m3, up 175M m3 (8.3%). This is because soaring imported glulam prices resulted in Japanese glulam manufacturers shifting to Japanese species. The volume of wood used in the housing construction and civil works sectors shows a consistent decline, because of the same reasons stated above.

Lumber Consumption in the Housing & Construction Sector (Unit: 000 m3)					
Sector\Yr.	2002	2003	2004	2005	2006
Housing	11,700	11,300	11,000	10,507	10,207
Civil works	580	530	520	479	515
Total	12,280	11,830	11,520	10,986	10,722
% Change 1/	-7.0%	-3.6%	-2.6%	-4.7%	-2.4%
% Share 2/	85.0%	85.1%	85.1%	85.6%	85.4%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ % share in the industry's total lumber shipments.

2) Plywood

Plywood shipments in 2006 totaled 3,354M m3, up 5.9% from the previous year. Year-to-date shipments through June 2007 were 1,491M m3, down 9.0% from the same period last year due to slow housing starts.

Industry's Plywood Shipments & Production by Year (000 m3: % Change)					
	2002	2003	2004	2005	2006
Shipments	2,718 (+2.6%)	2,967 (+ 9.2%)	3,027 (+2.0%)	3,168 (+4.7%)	3,354 (+5.9%)
Production	2,735 (-1.3%)	3,024 (+10,5%)	3,149 (+4.1%)	3,212 (+2.0%)	3,314 (+3.2%)

(Source: Ministry of Agriculture, Forestry & Fisheries)

VI. Market Sector Analysis

1) Construction Sector

Housing starts in June 2007 were 121,149 units, up 6.0% from the same time last year, reaching the highest monthly total so far this year and also the highest month since May 1997. Seasonally-adjusted annual housing starts are 1.354 million. This increase is dominated by rental hosing. Condominium and privately-owned homes and houses built-for-sale decreased. The housing starts of the first half of the year are on a down trend with a total of 604,547 houses, down 2.8% from the same period last year.

Housing Starts in the first Half of Year (January-June):

Year	Total Starts	Custom Housing	Condo-Miniums	Prefab. Housing	2x4 Wood Housing
2006	618,455	174,188	116,610	76,045	47,256
2007	604,547	162,656	118,827	73,827	46,809
% Change	-2.8%	-6.6%	1.9%	-2.9%	-0.9%

(Source: Ministry of Land, Infrastructure & Transport)

Japanese housing starts in 2006 were 1,290,391 units, up 4.4% from the previous year. Housing starts have been increasing for four consecutive years and for two years in a row were at 1.2 million houses in both 2005 and 2006; in addition, it was the highest level since 1997.

The housing starts in 2006 included many condominiums and houses for rent. Privately-owned homes, which influence wood and building material demand the most, accounted for 358,519 houses, up 1.5% from last year. Houses for rent were 543,463 up 7.8% and built for sales homes were 379,181 up 2.7 % over last year. It was the same trend as the previous year that houses for rent drove the market, but there was a slowdown in built-for-sale houses, while privately-owned houses increased.

Wooden houses, post and beam construction, two-by-four platform housing, and wooden prefabricated houses all increased. The total was 559 thousand, up 3.0% from the previous year and showing an increase for four consecutive years. However, the percentage of wooden house shares was 43.3% down 0.6% from the previous year. Two-by-four starts reached another record high of 105,390 up 10% from 2005. They reached 100 thousand for the first time, coinciding with the two-by-four homebuilders' association 30th anniversary year.

Japanese Housing Starts: 2004 Vs. 2005 (Units)				
Sector	2005	% Change	2006	% Change
Total Starts	1,236,175	4.0%	1,290,391	4.4%
Privately-owned homes	353,267	-4.5%	358,519	1.5%
Houses for rent	504,294	8.5%	543,463	7.8%
Corporate housing	9,547	9.5%	9,228	-3.3%
Built-for-sale	369,067	6.8%	379,181	2.7%
Wood-Framed	542,848	3.4%	559,201	3.0%
Wood Share (%)	43.9%	-1.6%	43.3%	-0.6%
By Framing Method				
-Condominiums	229,352	12.4%	238,614	4.0%
-Prefab. Housing	156,254	-2.3%	160,347	2.6%
(Wood-framed)	20,725	-7.1%	21,080	1.7%
2x4 Wood-framed	95,824	5.6%	105,390	10.0%
By Floor Space (1,000 square meters)				
All Housing Starts	106,593	1.0%	108,815	2.1%
Wood-Framed	56,494	-1.9%	57,770	2.3%
Wood Share (%)	53.0%	-1.6%	53.1%	0.1%

(Source: Ministry of Land, Infrastructure & Transport)

%Change from the previous year.

2) Furniture & Interiors Sector

The domestic lumber industry's shipments to the furniture sector dropped 22.0% in 2006 compared to the previous year and that is almost one third of the volume in 2001. On the whole, the wooden furniture market has been on a downward trend because of the hesitancy in durable consumer goods, and decreasing demand for wedding furniture caused by changes in lifestyle and increases in built-in storage spaces in newly-built apartments, condominiums and houses. Moreover, since the production of furniture continues to relocate to Asian nations such as China, Thailand, Malaysia, Indonesia, and Vietnam, shipments of wood to the furniture industry in Japan continue on a downward trend.

Lumber Consumption in the Furniture & Interiors Sector (000 m3)					
Year	2002	2003	2004	2005	2006
Volume	255	213	196	150	117
% Change 1/	-18.5%	-16.5%	-8.0%	-23.5%	-22.0%
% Share 2/	1.8%	1.5%	1.4%	1.2%	0.9%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ Percentage share in the industry's total lumber shipments.

In 2006, the value of Japanese wooden furniture sales was 171 billion Yen (Approx. 1.47 billion US$), up 2.7% from the previous year, while the value of Japanese furniture imports, including wood as well as steel products and their concomitant furniture parts, remained unchanged from the previous year at $2.6 billion.

3) Materials Handling Market

Lumber consumption in the materials handling sector in 2006 was reported as 1,391M m3, down 0.6% from the previous year.

Lumber and wood material had been the main material for the packaging of knock down (KD) automobile parts, motorcycle and plant exports. As shipping methods changed from break bulk ships to container ships, it enabled the use of other materials such as simpler steel boxes, corrugated paper boxes rather than a wooden frame or wooden boxes. Returnable knockdown packaging has also been introduced, so that conventional one time packaging has decreased, and in addition, the amount of the wood packing is decreasing every year due to an increase in local parts sourcing.

Lumber Consumption in the Material Handling Sector (000 m3)					
Year	2002	2003	2004	2005	2006
Volume	1,536	1,489	1,571	1,400	1,391
% Change 1/	-3.3%	-3.1%	5.5%	-10.9%	-0.6%
% Share 2/	10.7%	10.6%	11.5%	10.9%	11.1%

(Source: Ministry of Agriculture, Forestry and Fisheries)
Notes: 1/ Year-on-year percent change.
2/ Percentage share in the industry's total lumber shipments.

The total production of pallets in 2006 was another record-high 77,000M units, up 9.2% from the previous year. Wooden pallet production in 2006 was 59,663M units, up 13.5% from the previous year. For these past several years, palettes made from plastics and steel have tended to increase. Plastic palettes in particular, which are hygienic and accurately sized, have increased mainly in the food industry. However, wood has been increasing due to high steel and plastic material prices and the increasing international price and difficulty of the waste disposal treatment of plastic.

Japan Pallet Production by Material (Unit: 1,000 units)			
Material	2006 production	% Change	Million Yen
Wood	59,663	13.5%	124,200
Metal	3,796	2.2%	41,349
Plastic	9,283	-1.0%	32,378
Other	4,984	-9.6%	3,520
Total:	77,699	9.2%	201,447

(Source: Japan Pallet Trade Association)

Japan implemented ISPM No. 15 on wood packaging material for import since April 1, 2007. Details are explained in the website below.
Plant Protection Station: http://www.pps.go.jp/english/woodpack/index.html

VII. Trade Highlights – Updates on Japanese Statistics

Glulam Imports by Year (Unit: 000m3)			
Product Category	2005	2006	% Change
Structural Stock	671	806	20.1%
Non-Structural Stock	162	165	1.9%
Total Volume:	833	971	16.6%

(Source: Japanese Customs Data)

Fiberboard Imports by Year (Unit: 000m3)			
Product Line	2005	2006	% Change
Particleboard	391	461	17.9%
Hardboard	22	43	95.4%
MDF (Medium Density)	519	470	-9.5%
Insulation Board	1	3	327.0%
Total Volume:	933	977	4.5%

(Source: Japanese Customs Data)

Plywood Imports by Year (Unit: 000m3)			
Country	2005	2006	% Change
From Indonesia:	1,848	1,544	-16.5%
From Malaysia:	2,177	2,579	18.5%
From Canada:	32	22	-31.3%
From China:	403	622	54.3%
Total Volume:	4,574	4,880	6.7%
Top 4 Exporters:	97.5%	97.7%	-

(Source: Japanese Customs Data)

VIII. Green Procurement Law

The Revised Green Procurement Law has been effective for government purchases of wood and wood products since April, 2006. The law does not require legality of wood for private transactions, and the volume of wood and wood products purchased by government is very limited. As of May 30, 2007, there are 123 certified bodies and 5,674 certified companies. However, there are no statistics to measure the scale of business under this system. Please refer to the following website for the law and the Forest Agency guideline. Softwood from the western United States mostly comes from certified forests; however softwood from southern states and hardwood does not. These industries are studying how to show the legality of their product.

http://www.env.go.jp/en/laws/policy/green/index.html

http://www.rinya.maff.go.jp/policy2/ihou/eiyaku.pdf

IX. References

Japanese industry and commodity statistics in this report are based on the following data, published periodically by calendar year

1) Statistics and Information Bureau of the Japanese Ministry of Agriculture, Forestry and Fisheries
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- 2006 Report on the Basic Lumber Industry Statistics
- Report on the Plywood Industry Statistics, December 2006 and June 2007
- Report on the Lumber Industry Statistics, December 2006 and June 2007

2) Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy and Industrial Policy Bureau
- Yearbook of Textiles and Consumer Goods Statistics

3) Policy Bureau, Ministry of Land, Infrastructure and Transport
- Monthly of Construction Statistics, March 2007

End of Report